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Mind the Gap 2026: Country fiche – Bulgaria

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Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

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Country fiche: Bulgaria

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Bulgaria has made progress in digitalising its tax administration** such as advancing in personal income tax (PIT) pre-filling but has yet to extend comparable automation to VAT. The introduction of SAF-T from 2026 will support compliance risk analysis and tax audits through standardized electronic accounting data, enhancing fraud detection and resource efficiency.

- **Bulgaria is relatively active in VAT administrative cooperation with other Member States.** In 2024, it sent 1 229 requests for information and received 985. Relative to the size of the economy, Bulgaria was significantly above the EU weighted average for both outgoing and incoming requests.

Areas for Improvement

- **Bulgaria could develop regular and structured tax expenditures evaluation to assess the cost effectiveness of its tax expenditures.** Tax expenditure reports have been published since 2012 and have been continuously improved. A clearer link to legal provisions and more transparency around structural provisions could further improve reporting. Reports could serve as a basis for structured and regular reviews and evaluation of tax expenditures.

- **Bulgaria is still facing significant difficulties with the processing of data resulting from automatic exchange of information (AEOI) under the Directive on administrative cooperation in the field of taxation (DAC1 to DAC7).** To increase the benefits stemming from the use of DAC data, the tax authorities should step up their efforts in providing indicators showing the effective use of the available data and should also put in place specific monitoring tools. They should implement automated identification methods more systematically. Moreover, Bulgaria should provide feedback to the other Member States, as this has not been done so far.

- **Bulgaria's tax arrears remain above EU averages despite some improvement**. The closing stock of arrears decreased from 100.8% of revenue in 2020 to 55.4% in 2024 (vs. EU avg. 30.7%), So there is a tendency for a significant decrease of the uncollected debt compared to the collected revenues for the respective year. Collectible arrears stood at 7.9% in 2024 (vs EU average 43%). There is a downward trend in the share of recoverable debt relative to the remainder of total debt. Despite progress, arrears remain high relative to revenue, reflecting ongoing challenges in collection efficiency and legal limitations to write off uncollectible debt before the 10-year limitation period expires.

1. Introduction and policy context

1.1. Snapshot of the tax system

Bulgaria has one of the lowest tax-to-GDP ratios in the EU. Tax revenue (including social contributions) reached 30.5% of GDP in 2024, 8.9 percentage points (pps) below the EU average ([1]). Revenues from labour taxes (37.3% of total and 11.3% of GDP) are particularly low (EU: 20.3% of GDP), in a context of a 10% flat personal income tax (PIT) rate. By contrast, Bulgaria is one of the few Member States where consumption taxes are the main revenue source, as they account for 42.8% of total tax revenue (EU: 26.8%), also outpacing the EU average if measured in terms of GDP. Revenues from VAT are relatively high – helped by a low policy gap and the consistent reduction of the compliance gap – as well as from environmental taxes which are heavily concentrated on energy products. Revenues from capital taxes account for 20.0% of total tax revenue, slightly below the EU average (21.6%). Within capital taxation, property taxes, notably recurrent taxes on immovable property, play only a very limited role as a stable and growth-friendly source of revenue.

The tax-benefit system has a limited effect on reducing income inequality in Bulgaria due to the flat PIT system. The effect of the tax and benefit system on reducing the Gini coefficient was in 2024 one of the lowest in the EU (3.8 pps vs EU average of 7.8 pps) ([2]). The PIT system in Bulgaria is not progressive, as it applies a 10% flat rate system with no basic tax allowance. This is also reflected on the analysis of the tax wedge ([3]), which shows roughly the same rate for all income levels. This leads to a relative high tax wedge for low-income individuals and relative low tax wedge for high-income individuals. It also leads to the highest income inequality in the EU, with the income quintile share ratio (S80/S20) at 6.94 in 2025 ([4]) (income reference year 2024), compared to an EU average of 4.62. The at-risk-of-poverty and social exclusion (AROPE) rate ([5]) is also the highest in the EU (29.0% vs 20.9% in the EU).

In 2026, Bulgaria has received the following country-specific recommendations (CSRs) in the area of taxation ([6]):

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 30.6% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[3] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[4] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[5] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

[6] https://data.consilium.europa.eu/doc/document/ST-11114-2026-INIT/en/pdf.

- *Take measures to address the shadow economy, including by reducing the incentives for income underreporting and omission, and improve the fairness of the tax system. Strengthen tax collection, including by improving the recovery of arrears, supporting tax compliance and broadening the revenue base.*

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Bulgaria's tax system appears moderately complex despite its relatively simple headline tax structure. Survey-based evidence from the Tax Complexity Index (TCI) places Bulgaria among the most complex systems in the EU, ranking 21st among Member States. The underlying components of the TCI suggest that complexity arises primarily from the tax code rather than from administrative procedures ([7]). At the same time, citizen perceptions point to above-average compliance burdens: only 42% of respondents report that completing their tax return is easy, below the EU average of 49%, although reliance on professional assistance remains relatively limited at 5%, compared to the EU average (9%) ([8]).

Legislative activity appears relatively limited. Bulgaria recorded 6 tax changes entering into force or announced in 2025, well below the EU average of around 14 ([9]). This follows 15 tax changes in 2024, 15 in 2023 and 12 in 2022, with legislative activity remaining below the corresponding EU average in each year. This persistent pattern points to a comparatively stable tax policy environment. The reforms announced in 2025 are relatively focused and include measures to support investment and innovation, such as the introduction of a tax relief for research and development activities, more favourable depreciation rules for electric vehicles and exemptions from withholding tax on financial instruments traded on growth markets. In parallel, Bulgaria introduced the Standard Audit File for Tax (SAF-T), which will gradually require businesses to submit accounting information to the tax administration in a standardised electronic format, alongside strengthened fiscal controls for selected high-risk goods. While these measures introduce new compliance requirements for businesses in the short term, they are also intended to modernise tax administration, improve tax compliance and facilitate more efficient audits over time.

Demand-side indicators provide additional evidence on tax complexity. The accounting, bookkeeping and tax consultancy sector accounts for around 0.5% of gross operating surplus, well below the EU average of 0.9% ([10]). While this indicator is influenced by several factors, it does not point to a particularly large professional services sector or unusually strong demand for specialised

[7] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).

[8] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.

[9] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

[10] A higher share of gross operating surplus indicates that the accounting, bookkeeping and tax consultancy sector generates a relatively larger share of operating profits and value added in the economy. While not a direct measure of tax complexity, it may point to a comparatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

tax and accounting expertise ([11]). Taken together, the evidence suggests that Bulgaria combines relatively simple statutory tax rates with a tax system that is nevertheless perceived as comparatively complex in practice. The available indicators point towards complexity arising primarily from the structure of the tax system and the compliance obligations it creates, rather than from frequent legislative changes.

1.2.2. National simplification efforts

Bulgaria has been modernising and simplifying its fiscal architecture to reduce administrative frictions, standardise business reporting, and align with EU digital initiatives. Bulgaria's recent tax simplification and modernization initiatives focus on the Euro adoption, EU-harmonized cross-border VAT exemptions for small businesses, and the introduction of mandatory electronic invoicing of local and cross-border transactions and their digital reporting. Bulgaria has integrated the EU Special VAT Scheme for Small Enterprises (Directive 2020/285) and has simplified the monitoring predictability for micro-businesses by moving the turnover evaluation from a rolling monthly basis to a standard calendar year. Moreover, following the adoption of the Euro, all tax filings and social security thresholds are settled strictly in Euro, eliminating dual-currency processing, conversion overhead, and complex exchange-rate reconciliation for cross-border operations. Ongoing initiatives related to digitalisation concern Business-to-Business (B2B) e-invoicing and real-time transmission of sales data. The first aims to establish a unified B2B e-invoicing model, while the second allows the instantaneous transmission of sale data to central National Revenue Agency (NRA) cloud infrastructure, simplifying cash-flow reporting. A further simplification accompanied the introduction of the euro: the NRA adapted its information systems to automatically convert VAT return results from BGN into EUR for tax collection and refund purposes, limiting additional conversion-related compliance requirements for taxpayers ([12]).

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([13]). The shadow economy is an analogous but narrower concept – used in the economic literature and measured via macroeconomic models – that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

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[11] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[12] Писмени отговори :: Министерство на финансите

[13] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.

Specifically, recent data from official sources ([14]) allow to estimate the size of the NOE in Bulgaria at 4.1% of GDP for 2022. The NOE comprises the statistical deficiencies (4%), underground economy (1.6%) and informal economy (0.61%), while illegal economy represents 0.24% of GDP. Bulgaria thus records a NOE below the EU average (7.4% of GDP) ([15]). The largest part of the NOE is concentrated in 'Wholesale and retail trade' (0.79% of total GVA) and 'Manufacturing' (0.52%). At industry level, the highest shares of NOE are presented by 'Other service activities' (42.1% of its GVA) and 'Accommodation and food service activities' (30.1%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Bulgaria are higher than the NOE estimate discussed above. In 2022, the shadow economy in Bulgaria represented 33.1% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([16]). This ratio is 15.5 pps above the EU-27 average and it has decreased compared to 2003 (35.9% of GDP). The report also indicates that indirect taxes and unemployment are the main drivers of the shadow economy in Bulgaria. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([17]). However, using currency demand approach (CDA), a recent study by EY ([18]) reports lower estimates for the Bulgarian shadow economy at 10.5% of GDP in 2023 (EU average 7.9%), down from 22.5% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Bulgaria has been gradually developing its capacity to estimate tax gaps, particularly in the area of measuring the VAT gap. The primary authority responsible for the tax gaps estimation is the NRA. The NRA is developing different approaches and methodologies for calculating tax gaps, also with the support of European Commission's Technical Support Instrument (TSI) ([19]).

Bulgaria has contributed to the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. Bulgaria participated in the first cycle of the project, which concluded in 2025 ([20]). The second cycle was launched in 2026.

[14] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[15] The (unweighted) EU average does not include Luxembourg.
[16] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.
[17] See Fernandes op. cit. (2025) for an overview of various studies.
[18] The report is available at https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/tax/documents/ey-gl-shadow-economy-report-02-2025.pdf.
[19] TSI (2021): Strengthening tax compliance by assessing external context and taxpayers' behaviour. EY Bulgaria (2023), Empirical analysis of non-compliance. More information is available at: https://reforms-investments.ec.europa.eu/publications-0/strengthening-tax-compliance-assessing-external-context-and-taxpayers-behaviour_en.
[20] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.

2.2 Compliance tax gaps in VAT

For 2023, the VAT compliance gap ([21]) in Bulgaria was estimated at around 9% of the VAT Total Tax Liability (VTTL) ([22]), or approximately BGN 1.5 billion (EUR 800 million). After falling from around 9% in 2019 to 3% in 2021, it increased again in 2023; however, without exceeding the 2019 level ([23]). Bulgaria's VAT compliance gap remained below the EU average of 9.5% in 2023. This rise was linked to a decrease in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages) and an increase in the share of services in GDP, including continued growth in hard-to-tax service categories such as recreation, restaurants, and accommodation.

Bulgaria has introduced a number of measures aimed at improving VAT compliance in recent years. Following a pilot phase in 2025, it has implemented the Standard Audit File for Tax (SAF-T) system in 2026 for large enterprises, i.e., those with a net revenue over BGN 300 million (ca. EUR 154 million) or tax liabilities over BGN 3.5 million (ca. EUR 1.8 million) ([24]). The rolling 12-month turnover check has been replaced with calendar-year monitoring to simplify oversight of the mandatory VAT registration limit, currently set at BGN 100 000 (ca. EUR 51 130) ([25]). The implementation of SAF-T was prepared with technical support under the TSI ([26]). The NRA maintains a public electronic list of point-of-sale revenue management software (POMM) for which producers/distributors have submitted a declaration of compliance with the regulatory requirements in place. The use of software included in this list is voluntary.

2.3 Compliance tax gaps in corporate and personal income tax

European Commission estimates suggest a below-average corporate income tax (CIT) compliance gap in Bulgaria. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Bulgaria is estimated at around 4.9% of collected CIT revenues based on 2022 data ([27]). Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate of around 7.8% in 2018, this indicates a decline over time and a level clearly below the EU average.

[21] The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.
[22] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.
[23] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.
[24] Eurofast, 2025. Bulgaria's SAF-T System Coming in 2026: Key Compliance Insights. Accessed at: https://eurofast.eu/bulgarias-saf-t-system-coming-in-2026-key-compliance-insights/.
[25] Aidos, 2024. VAT in Bulgaria: A Comprehensive Guide for Businesses. Accessed at: https://aidosbg.com/vat-in-bulgaria/.
[26] TSI 2022: Implementation of SAF-T in Bulgaria, 2022-2024. More information is available at: https://reforms-investments.ec.europa.eu/technical-support-instrument-0/revenue-administration-and-public-financial-management/implemantation-saf-t-bulgaria_en.
[27] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

Available estimates for Bulgaria suggest a PIT gap of 13.8% and a social security contribution gap of 16.5%. As part of an empirical analysis of non-compliance conducted in the framework of a project funded by the EU TSI ([28]), the average PIT gap and the contribution gap were estimated, respectively, at 13.8% and 16.5% of their potential revenue over the period 2017-2021 ([29]). Estimates for the 2022-2024 period indicate a PIT compliance gap of 13% of and a SSC gap of 16.3%, with the 2025 forecast showing a gap of 14.1% for the former and 17.6% for the latter.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

Bulgaria's Customs Authority conducts analyses of potential excise duty revenue losses relating to energy products, tobacco and alcohol, however, the resulting excise gap estimates are not published, as they are used solely for internal risk assessment purposes. Bulgaria also demonstrates an interest in strengthening EU cooperation on excise matters through its participation in the Fiscalis project group on Excise Gap and Risk.

Bulgaria does not publish any information on possible other compliance tax gaps. There are no official programmes or published figures for compliance gaps related to other tax measures.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

The Ministry of Finance publishes an annual Tax Expenditure Report ([30]). The latest available report assesses tax expenditures for 2024 and identifies 46 tax expenditure items; of these, 35 (78.3%) have been quantified, resulting in a total revenue forgone of BGN 1.62 billion (EUR 829 million) – equivalent to 0.79% of GDP and 4.20% of state tax revenue. The number of tax expenditures and their financial impact on GDP remained unchanged compared to the previous year. The largest share of tax expenditures relates to PIT (37% of total), followed by CIT (26.6%) and VAT (25.7%), while the remaining 10.3% is attributable to excise duties. According to Ministry of Finance forecasts ([31]), assessed tax expenditure items for 2025 amount to BGN 1.74 billion (EUR 892 million), maintaining similar proportions in the breakdown by type of measures.

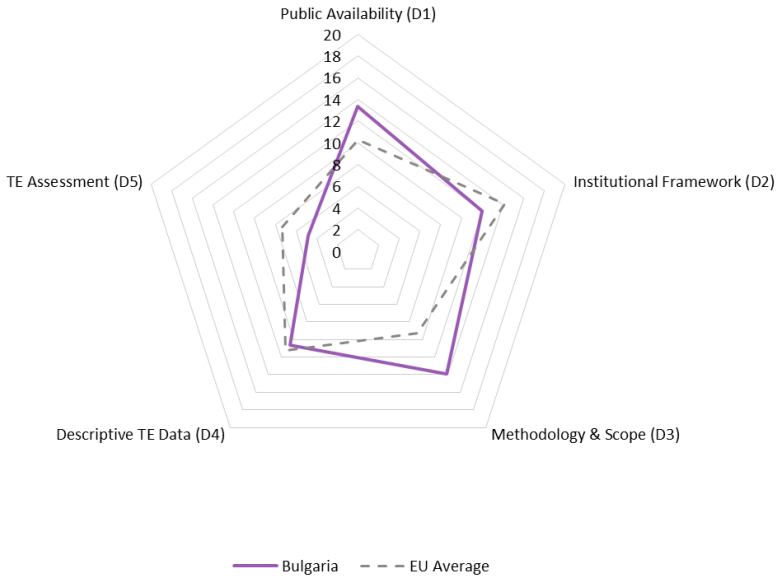
The tax expenditure report provides thorough method descriptions but could add further detail on other elements. The Bulgarian tax expenditure report is published in English language and provides a detailed description of benchmarks used for each tax type. Temporary provisions which have been introduced in the context of COVID relief are discussed separately. Tax loss-carry forward is one of the provisions discussed in the tax expenditure report due to its fiscal relevance with Bulgaria noting that many Member States define such provisions as structural provisions which are part of the benchmark. However, no information is provided about the fiscal implications of

[28] TSI (2021): Strengthening tax compliance by assessing external context and taxpayers' behaviour. More information at is available at: https://reforms-investments.ec.europa.eu/publications-0/strengthening-tax-compliance-assessing-external-context-and-taxpayers-behaviour_en.
[29] EY Bulgaria (2023), Empirical analysis of non-compliance.
[30] Tax Expenditure Report: Ministry of Finance.
[31] Tax - Expenditure - Forecast_2025_EN_July 2025.pdf.

other structural provisions. It is also not straightforward to link the listed provisions to the underlying legal rules as they are not provided consistently.

Compared to other Member States, tax expenditure reporting in Bulgaria shows a mixed picture (ranked 13th according to the Global Tax Expenditures Transparency Index (GTETI) score) ([32]). According to the GTETI analysis, transparency in tax expenditure reporting in Bulgaria is above the EU average overall but exhibits an imbalance across dimensions. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages. Maximum value for each dimension is 20. Bulgaria performs above the EU average on 'Public Availability', and 'Methodology and Scope'. Bulgaria is on par with the EU average on Descriptive Tax Expenditure Data (10.60 vs 11.28). However, 'Institutional Framework' is below the EU average (12.00 vs 14.19), and 'Tax Expenditure Assessment' is below the EU average (4.80 vs 7.34). The strong performance on 'Public Availability' reflects timely data, reader-friendly presentation. The strong performance on 'Methodology and Scope' reflects broad coverage of tax types, benchmark specification, treatment of structural provisions, detailed estimation methodology, data source disclosure.

Figure 1: Bulgaria vs EU average – GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Bulgaria lacks a systematic process for the evaluation of tax expenditures. Although some ad hoc assessments may take place, there is no consolidated, systematic impact assessment regime. The assessments conducted are often driven by international obligations or targeted inquiries, rather than being part of a routine review process. This may also be due to the small volume and number of tax expenditure items and its relative limited impact in terms of GDP.

[32] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability – whether a TE report exists and is accessible; (2) Institutional framework – its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope – the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data – the granularity and classification of reported provisions; and (5) Tax expenditure assessment – the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

3.2 Policy tax gaps in VAT

Several changes in VAT rates have taken place since 2023. A temporary 0% VAT rate on bread and flour was maintained throughout 2024 but expired at the end of the year, reverting back to the standard 20% rate in 2025. Similarly, the 9% reduced rate on restaurants and catering was extended through 2024 but was back to the standard 20% in 2025. The reduced 9% VAT rate for general tourist services, gyms, and sports facility usage expired on 30 June 2024 and has since returned to the standard 20% rate ([33]).

The VAT policy gaps in Bulgaria (national policy-driven VAT exemption gap and VAT rate gap) were lower than the EU average in 2023. Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached over BGN 2.5 billion (ca. EUR 1.28 billion) in 2023 ([34]). The national policy-driven VAT exemption gap ([35]) was estimated at around BGN 1.5 billion (ca. EUR 768 million) in 2023, or 6% of the notional ideal revenue ([36]), while the EU average was 11%. The VAT rate gap ([37]) was estimated at around BGN 1 billion (ca. EUR 512 million) in 2023, or 4% of the notional ideal revenue, lower than the EU average of 12%.

Tax simulations for 2025 indicate that Bulgaria's reduced VAT rates are concentrated in a small number of categories, led by 'recreation, sport and culture' ([38]). 'Recreation, sport and culture' accounts for the largest share of forgone revenues at 82.1%, more than double the EU mean share of 13.3%. 'Restaurants and accommodation' come second at 17.1%, below the EU mean share of 20.4%. 'Food and beverages' rank third at 0.8%, well below the EU mean share of 39.8%. These three categories account for 100.0% of Bulgaria's total forgone revenue.

3.3 Policy tax gaps in corporate income tax

Tax expenditures related to CIT in Bulgaria account for approximately one-quarter of total revenue forgone from tax expenditures. According to the latest report by the Ministry of Finance ([39]), in 2024, 18 different tax expenditures measures were related to CIT, resulting in a total

[33] VAT Update, 2026. Bulgaria: Comprehensive VAT Country Guide (2026). Accessed at: https://www.vatupdate.com/2026/02/10/bulgaria-comprehensive-vat-country-guide-2026/.

[34] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[35] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[36] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[37] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[38] The VAT rate gap in this subsection is analysed using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[39] Tax Expenditure Report: Ministry of Finance.

of BGN 431 million (ca. EUR 220 million) in forgone revenue ([40]), equivalent to 26.6% of total tax expenditures. The largest part of this expenditure is attributable to loss carry-forward (ca. EUR 112.8 million/BGN 220.7 million), which represents 51% of tax expenditures attributed to CIT. The inclusion of loss-carry forward in the tax expenditure report is noteworthy as most Member States treat this provision as a structural provision which is part of the benchmark tax system. These measures contribute to an effective tax rate at 9.4% in 2024 (significantly below the EU average (18.9%)), starting from an already low statutory CIT rate (10%) ([41]). However, Pillar Two and its mechanisms (IIR, UTPR, QDMTT) ([42]) are in force in Bulgaria.

3.4 Policy tax gaps in personal income tax

Tax expenditures related to PIT in Bulgaria primarily aim to support families with children. According to official data ([43]), in 2024, 14 different tax expenditures measures were related to PIT, amounting to a total of BGN 607 million (ca. EUR 310 million), equivalent to 37.4% of total tax expenditures. Largest part of this expenditure is attributable to the tax relief for children (BGN 433.5 million/EUR 221.7 million), which represents the largest single tax expenditure item, and the relief for reduced working capacity (BGN 110 million/EUR 56.4 million).

Tax-simulations for 2025 suggest that PIT-related tax expenditures in Bulgaria have a progressive effect ([44]). PIT-related tax expenditures imply revenue forgone equivalent to 13.0% of actual PIT revenues, well below the EU average of 19.1% ([45]). The largest share of revenue forgone arises from family-related tax expenditures (7.3% of PIT revenue). PIT-related tax expenditures reduce the Gini coefficient by 0.17 pps, less than the EU average reduction of 0.46 pps. Relatively low revenue forgone is associated with a relatively modest reduction in income inequality.

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Bulgaria operates a segmented, yet increasingly integrated identification system. Individuals use the Personal Number (EGN) or Foreigner Number (LNC) for PIT, while businesses rely on the Unified Identification Code (UIC/EIK), issued via the Commercial Register, for CIT and VAT (with a "BG" prefix). Natural persons who do not have a EGN/PIN and the legal UIC are identified by an official number issued by the NRA register. Though VAT registration is administered by the National Revenue Agency (NRA), it remains linked to the same underlying UIC/EIK, ensuring partial

[40] This amount relates solely to the 14 measures analysed in detail in the Ministry of Finance report.
[41] Forward-looking effective tax rate (KPMG). Effective Tax Rates - KPMG-Report_2024.
[42] Income Inclusion Rule (IIR); Undertaxed Profits Rule (UTPR); Qualified Domestic Minimum Top-up Tax (QDMTT).
[43] Tax Expenditure Report: Ministry of Finance.
[44] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).
[45] According to the European Commission's taxation trends data, PIT revenues in Bulgaria amounted to approximately EUR 3.6 billion in 2024. This would imply revenue forgone of approximately EUR 0.5 billion due to PIT tax expenditures according to the microsimulation (13.0% of EUR 3.6 billion).

unification. Challenges persist in VAT database accuracy, with gaps in systematic legal/ID verifications and third-party cross-checks limiting integrity ([46]).

Digitalised registration and database management prioritise online access but face challenges in automation and taxpayer usability. Bulgaria's NRA e-services portal supports electronic registration (via Qualified Electronic Signature (QES) or email) and in-person submissions, with a 7-day processing deadline. Voluntary VAT registration can also occur during company incorporation via the Registry Agency. The centralised taxpayer database, interconnected with external government registers, ensures basic data accuracy, though VAT-specific validations (e.g. real activity, fixed assets, risk links) are manual. Online VAT data access for taxpayers remains limited. Further improvements are needed in cross-border data harmonisation and user interface functionality. Guidance tools (e.g. FAQs) are available to facilitate registration and compliance in general.

E-commerce oversight relies on integrated VAT systems and emerging EU administrative cooperation tools, though automation gaps persist. E-commerce businesses are tracked within the general VAT administration system, with One Stop Shop (OSS)/ Import One Stop Shop (IOSS) data stored in NRA's VAT databases and linked to mechanisms such as the Central Electronic System of Payment Information (CESOP) ([47]) or DAC7 ([48]). Customs collaboration enables cross-checks for import/VAT risks, though data validation (e.g. CESOP) remains manual ([49]).

Risk-based registration employs compliance history and third-party checks. The NRA conducts risk assessments during registration, verifying activity legitimacy, turnover, financial security and links to high-risk entities. Post-registration monitoring cross-checks VAT declarations against third-party data (e.g. customs and commercial registers) and compliance history, though predictive modelling is not documented ([50]).

Bulgaria's NRA conducts a preliminary risk assessment of Eurofisc Missing Trader Intra-Community (MTIC) alerts using national information systems and national intelligence on high-risk traders. This is done to determine whether a VAT identification number should be qualified for closer monitoring or follow-up action. Where the assessment confirms serious risk indicators, the NRA proceeds swiftly with the invalidation of the VAT number of missing traders in accordance with the national legal framework, helping to prevent VAT losses and support further fraud detection.

[46] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection) and national website (https://nra.bg/wps/portal/nra/kontrol/proverki/za-registratsiya-i-deregistratsiya-po-zdds or https://lookuptax.com/docs/tax-identification-number/bulgaria-tax-id-guide or https://nra.bg/wps/portal/nra/taxes/dds-v-balgariya/dds-bulgaria?contentIDR=10f273e6-98bf-40b2-b97b-4e174f17154b&useDefaultText=1&useDefaultDesc=0#dds-bulgaria2).

[47] The Central Electronic System of Payment Information (CESOP) is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[48] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

[49] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[50] Ibidem.

4.2 Tax filing and assessment

Bulgaria's tax administration relies on digital processes, with VAT e-filing standardised and PIT/CIT online services well-established. Bulgaria's tax filing and reporting processes are increasingly digital, with the NRA e-portal serving as the core platform for PIT, CIT, and VAT filings. Electronic filing is standard for VAT, supported by structured reporting, while PIT and CIT processes are also well-established digitally ([51]).

Bulgaria has advanced PIT pre-filling but has yet to extend comparable automation to VAT. The NRA uses employer-reported income and other third-party data to pre-populate PIT returns. The system relies on electronic reporting, centralised registers, and automated cross-checks with third-party data to this end. There is however no evidence that pre-filled returns are currently provided for VAT ([52]).

Bulgaria excels in digital tax filing for businesses but lags behind for individual filings. Bulgaria's 2024 e-filing rates show near-full compliance for business taxes – CIT and VAT at 100.0% - both above EU averages. However, PIT lags behind at 84.0%, below the EU's 88.4%, revealing a gap in individual taxpayer digital adoption ([53]).

Taxpayer support prioritises multi-channel accessibility over advanced automation. The NRA offers taxpayer portals, tax calculators, and secure messaging for compliance support, alongside multi-channel communication (phone, video, email). However, chatbots are not prominently established. Planned 2026 upgrades (e.g. document tracking via ePortal) aim to further reduce administrative burdens and improve transparency ([54]).

Bulgaria uses data obtained through the automatic exchange of information (AEOI), under the Directive on administrative cooperation in the field of taxation (DAC) ([55]). This includes DAC1 ([56]), DAC2 ([57]), and DAC7 ([58]) for PIT and CIT purposes and, if relevant, also for VAT. The Bulgarian tax authorities use the available data for a large range of activities: awareness raising campaigns, voluntary compliance programs, tax risk assessment to detect possible undeclared income, notification to generate disclosure and, if relevant, tax assessments or general audits. This use is not only relevant for PIT, but also for assessing corporate taxation, and for detecting undeclared professional activities, as the Bulgaria tax authorities use the most recent exchange of information on income from digital platforms (DAC7).

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[51] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Bulgaria, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/8362912.

[52] https://www.oecd.org/en/publications/tax-administration-2025_a8637741-en/bulgaria_d9654713-en.html.

[53] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

[54] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Bulgaria, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/8362912.

[55] Sources: Yearly Assessment 2026.

[56] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties.

[57] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts.

[58] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms.

However, DAC data matching rates concerning identified taxpayers ([59]) are unknown. In this respect, the TIN validation tool envisaged in the DAC recast proposal will support the matching process to approach a 100% automatic matching rate, ultimately allowing Bulgaria for a more efficient and targeted deployment of resources. Moreover, the lack of specific monitoring tools in place prevents Bulgaria from assessing and sharing the fiscal impact stemming from the use of DAC data. Additionally, the lack of feedback from Bulgaria to the other Member States makes the use of DAC data less efficient, and this issue has not been addressed thus far ([60]).

Bulgaria has been relatively active in VAT administrative cooperation ([61]). In 2024, Bulgaria sent 1 229 requests for information and received 985 requests ([62]). Based on a standardised measure, taking into account the relative size of the Bulgarian economy, Bulgaria is significantly above the EU weighted average on both the number of requests sent and on the number of requests received ([63]).

Bulgaria records limited results in automatic exchange of VAT information. In 2024, Bulgaria reported 394 VAT identification numbers allocated to taxable persons not established in the Member State. For information on new means of transport, it forwarded 7 cases. Based on a standardised measure, taking into account the relative size of the Bulgarian economy, Bulgaria is below the EU weighted average on both VAT identification number allocated to taxable persons not established in Bulgaria and the volume of information on new means of transport ([64]).

4.3 Compliance risk management

Bulgaria's compliance risk management (CRM) system is formal and comprehensive but could benefit from enhanced coordination. The NRA operates a formal CRM strategy covering return filing, collection enforcement, verification/audits, and taxpayer services (excluding payment processing). The system identifies, assesses, and prioritises compliance risks using taxpayer data and risk indicators, with a focus on VAT, CIT, PIT, and social security contributions. While audit and enforcement activities are in place, there is room for increased coordination and a more strategic

[59] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024. The metrics are covered by Commission Implementing Regulation (EU) 2025/2263 of 12 November 2025.

[60] Currently, Bulgaria receives technical support under TSI 2025 project "Enhancing the quality and use of tax information exchanged between Member States in the context of the Directive on administrative cooperation (DAC) in Bulgaria and Romania". The project started in August 2025 and will end in November 2027.

[61] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[62] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC).

[63] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Bulgaria sent 11.73 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 9.40 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[64] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Bulgaria reported 3.76 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP; and new means of transport 0.07 requests per EUR 1 Billion of GDP compared to an EU weighted average of 0.95 new means of transport per EUR 1 billion of GDP.

focus on high-risk areas. Developing a compliance management plan with regular monitoring and enhanced data integration could further improve VAT compliance ([65]).

Bulgaria uses machine learning for taxpayer segmentation and compliance profiling. The NRA employs machine learning techniques to segment and profile enterprises based on tax and social security compliance levels. This data-driven approach enhances risk assessment, though this early-stage artificial intelligence (AI) adoption may face challenges such as skilled personnel shortages and IT infrastructure needs ([66]).

Bulgaria's CESOP data use is constrained by integration challenges. Due to missing identification numbers and incomplete data, Bulgaria relies on pre-generated CESOP reports for risk assessment. These reports are compared with national data (e.g. tax returns, IOSS declarations) to support control proceedings, with ongoing efforts to improve cross-system data comparisons ([67]).

Bulgaria makes a limited use of reports exchanged automatically under the DAC, i.e. DAC3 ([68]), DAC4 ([69]) and DAC6 ([70]) for risk-analysis purposes in the field of CIT. The reports are consulted in the central directories (DAC3 and DAC6) and the information from country-by-country reports (DAC4) is used on a case-by-case basis, but the follow-up actions are difficult to discern. In fact, Bulgaria does not provide any figures on the matching rates for identifying the taxpayers concerned, and reports that manual techniques are used to process this data, which makes systematic use impossible. The lack of information on the number of identified taxpayers and the exclusive use of manual matching techniques highlights the need for the Bulgarian tax authorities to move to an automated matching model in order to increase their efficiency as well as their effectiveness in detecting aggressive tax arrangements and profit-shifting issues.

Bulgaria uses VAT gap analysis to inform its compliance risk management. The NRA employs econometric models (developed in 2023 with EU support) ([71]) to measure and monitor the VAT gap at both national and sectoral levels. These models track trends and sector-specific contributions to non-compliance, supporting targeted risk management. Regular assessments enable the NRA to adapt strategies based on external factors and sectoral risks ([72]).

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[65] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[66] European Commission: Directorate-General for Taxation and Customs Union, Mind the Gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Bulgaria, Publications Office of the European Union, 2025, https://data.europa.eu/doi/10.2778/8362912.

[67] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

[68] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[69] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[70] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

[71] TSI (2021): Strengthening tax compliance by assessing external context and taxpayers' behaviour. More information is available at: https://reforms-investments.ec.europa.eu/publications-0/strengthening-tax-compliance-assessing-external-context-and-taxpayers-behaviour_en.

[72] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).

4.4 Audits

Bulgaria's audit system combines traditional interventions with ongoing SAF-T reforms. The NRA conducts desk audits, limited-scope audits, single-issue audits, comprehensive audits, and avoidance/evasion investigations to verify taxpayer declarations. The phased implementation of the Standard Audit File for Tax (SAF-T) from 2026 provides the NRA with structured accounting data to support automated compliance controls, compliance risk analysis and tax audits. The NRA has conducted e-audits for 8–10 years, but SAF-T adoption is limited by capacity and skills shortages. **Bulgaria's Large Taxpayer Office delivers strong results with limited resources.** The LTO manages major businesses and contributes 39% of total tax revenue, despite using only 1.9% of staff - with over half dedicated to audits In 2022 Bulgaria implemented a Horizontal Monitoring Model (HMM) as a pilot. The model was developed with technical support under the TSI ([73]) aligned with OECD guidelines on cooperative compliance. However, the model saw limited taxpayer participation and failed to reach its full potential.

Bulgaria makes limited use of advanced instruments of cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border VAT issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025 Bulgaria has initiated 2 MLC and 2 PAOE, and has participated in 8 MLC and 3 PAOE, representing respectively 1.9%, 3.1%, 2.7% and 2.3% of the total of these operations ([74]).

In Bulgaria, the tax authorities – and in particular the audit departments – do not have automatic access to the financial data of their tax residents. Automatic access to this information would strengthen the effectiveness of the Bulgarian tax administration in targeting non-compliance while streamlining the reconciliation of domestic and cross-border taxpayer data.

4.5 Payment and collection

Bulgaria performs well on digital tax payments ([75]). Since 2018, 100% of tax payments were made electronically, well above the EU average of 94.9%. Bulgaria achieves 87.6% on-time PIT payments (vs. EU avg. 79%) and 95.1% for VAT (vs. EU avg. 83.7%), but its CIT on-time payment rate of 85.8% falls slightly below the EU average of 89.8% ([76]). In Bulgaria, taxes can generally be paid both in cash and by non-cash means, but there are important legal limits on cash payments.

Bulgaria also uses an automated, risk-based system for VAT refunds ([77]). The NRA carries out periodic automated risk assessments of all refund cases declared through VAT returns, using an information system based on regularly updated criteria and rules. Bulgaria has had a VAT penalty

[73] TSI 2021 Project "Implementation of a Horizontal Monitoring Model by the Bulgarian Revenue Agency", 2021 – 2023. More information is available at: https://reforms-investments.ec.europa.eu/technical-support-instrument-0/revenue-administration-and-public-financial-management/implementation-horizontal-monitoring-model-large-taxpayers-bulgaria_en.

[74] EU AIAC Statistics -2023-2025.

[75] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.

[76] Ibidem.

[77] Ibidem.

system in place for failure to submit VAT returns and for late payment, based on simplicity and proportionality.

4.6 Tax debt recovery

Bulgaria's tax arrears management shows improvement but remains above EU averages. The closing stock of arrears decreased from 100.8% of revenue in 2020 to 55.4% in 2024 (vs. EU avg. 30.7%), though collectable arrears stood at 7.9% in 2024 vs. EU avg. 43%) ([78]). Despite progress, arrears remain high relative to revenue, reflecting ongoing challenges in collection efficiency.

Bulgaria is strengthening its strategic approach to the recovery of tax arrears. The NRA's strategic planning places increased emphasis on improving the collection of overdue public receivables and applying a differentiated approach to debt recovery. For 2026, the NRA set a target of increasing receipts from overdue public receivables by 5% compared with 2025, complementing existing mechanisms for voluntary payment, deferral and instalment arrangements and, where necessary, enforced collection ([79]) ([80]).

Bulgaria has integrated information received through DAC1 and DAC 2 into its tax-debt recovery activities. The use of automatically exchanged information can support the identification of income and financial assets held by debtors in other Member States, improving the information available for targeted recovery actions and complementing domestic collection tools.

Regarding cross-border recovery assistance within the EU, Bulgaria submits compliant requests to other Member States. Bulgaria's recovery requests to other Member States generally comply with requirements, focusing on well-established claims ([81]). None of Bulgaria's recovery requests was suspended because of contestation of the claims in 2025 ([82]).

[78] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[79] Стратегически планове за дейността.
[80] NRA priorities. ДО.
[81] Statistics on rejections of requests, reported by Bulgaria as applicant State, relating to recovery assistance in 2025.
[82] Statistics on the suspension of recovery requests, sent by Bulgaria as applicant State, following contestation of the claim, for 2025.